

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: Assessing Officials
FROM: Barry Wood, Assessment Division Director
RE: Golf Course Guidance
DATE: March 6, 2014

Per Indiana Code 6-1.1-4-42(e), the Department of Local Government Finance (“Department”) is required to establish uniform capitalization tables and procedures to be used for the assessment of golf courses. These tables and procedures were formally promulgated in 50 IAC 29 (see <http://www.in.gov/legislative/iac/T00500/A00290.PDF>).

Assessing officials must use the tables and procedures adopted by the Department to assess, reassess, and annually adjust the value of golf courses. Please note, the Department has previously issued guidance regarding the assessment of golf courses (see [http://www.in.gov/dlgf/files/090817 - Wood Memo - Valuation of Golf Courses - Legislative Changes.pdf](http://www.in.gov/dlgf/files/090817_-_Wood_Memo_-_Valuation_of_Golf_Courses_-_Legislative_Changes.pdf); [http://www.in.gov/dlgf/files/091215 - Wood Memo - Golf Course Valuation Guidance Supplement.pdf](http://www.in.gov/dlgf/files/091215_-_Wood_Memo_-_Golf_Course_Valuation_Guidance_Supplement.pdf); [http://www.in.gov/dlgf/files/110505 - Wood Memo - Golf Course Guidance.pdf](http://www.in.gov/dlgf/files/110505_-_Wood_Memo_-_Golf_Course_Guidance.pdf); [http://www.in.gov/dlgf/files/120315 Golf Course Guidance Memo.pdf](http://www.in.gov/dlgf/files/120315_Golf_Course_Guidance_Memo.pdf); and [http://www.in.gov/dlgf/files/130311 - Wood Memo - Golf Course Guidance.pdf](http://www.in.gov/dlgf/files/130311_-_Wood_Memo_-_Golf_Course_Guidance.pdf)).

Determining the Net Operating Income (“NOI”) is a key determinant in establishing the value of a property, in this case the golf course enterprise, in the income approach. The other key component that may have a significant effect on the total value of the property is the capitalization rate. The Overall Capitalization Rate (“OAR”) expresses the relationship between Net Operating Income and the market value of the property. The OAR reflects risk, liquidity (or lack thereof), potential for growth in net income, and general requirements of the investor. **The OAR to be used statewide for the March 1, 2014 assessment date is 11.91%.** To determine the value of the property (simplistically), divide the Net Operating Income by the Overall Capitalization Rate.

Indiana Code 6-1.1-4-42(c)(3) excludes from the true tax value the value of personal property, intangible property, and income derived from personal or intangible property such as course naming rights. The Department has interpreted this statute to exclude the income derived from the rental of golf carts from the income capitalization approach to valuation. The Department believes this would be applicable to pro shop income as well.

For specific instructions to complete the golf course/golf course enterprise assessment, please refer to the tables and procedures established in the formally promulgated rule, 50 IAC 29. Additionally, when a golf course has multiple parcels that combined comprise the golf enterprise, every effort should be made to combine them into one parcel per Indiana Code 6-1.1-5-16.

If you have any questions, please contact your Assessment Division Field Representative or Assessment Division Director, Barry Wood at Bwood@dlgf.in.gov or (317) 232-3762.